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AUTHOR Haywood, William T.
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ABSTRACT

Some of the hidden costs to higher education are examined through a look at a high budget item: student financial aid. It has been noted in the past that among institutions operating at a deficit there was a distinct correlation between the size of the annual deficit and the institutions' appropriations for student aid. There is a philosophical concern in this cost formula that results from government intervention. Implications of this intervention are discussed. There is evidence that some institutions have become careless in their administration of federally-sponsored student aid programs, especially in collections, and all institutions are beginning to suffer. It is suggested that the regulations surrounding the administration of student aid programs not only have resulted in administrative reference that destroys diversity, but also have affected other areas of the postsecondary academic experience. Consideration is given to the effect of impoundments, accreditation powers, and court decisions influencing higher education. (LBH)

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Student Financial Aid: True Costs!

by William T. Haywood

In a time of cost consciousness, we in higher education are being called upon to identify true costs. Much effort is being expended to break down educational cost to its lowest common denominator—productivity of units of learning. As is true in all cost configurations, there are hidden costs which generally escape the light of day. This paper will attempt to explore some of the hidden costs to higher education through the high budget item: student financial aid. There is a dollar concern very aptly expressed by Bill Jellema, who, in researching for his book, *From Red to Black?*[1] found that among institutions operating at a deficit there was a distinct correlation between the size of the annual deficit and the institution's appropriations for student financial aid. There is a philosophical concern in this cost formula which results from government intervention.

Fortunately, there exist among the leaders of higher education institutions those who continue to resist by every possible means the threatened destruction of the diversity of higher education. The battle was assured in the late 1950s, when for the first time governmental assistance became available to a broad spectrum of college students. Rules and regulations detailing the administration of the National Defense Student Loan Program appropriately treated all colleges alike; public, private, or sectarian.

The inclination to assimilate higher education institutions continued unabated as additional student financial aid programs were developed in the sixties. The impetus was given unprecedented emphasis in the late sixties and early seventies, when campus riots and disruptions unfortunately required invoking both federal and state police action to save many campuses from destruction. Congressional acts, court rulings, and executive orders dealing with all forms of discrimination—racial, ethnic, sex, religious and that based on national origin—added fuel to the fire. The coverage of colleges and universities under existing federal legislation, such as the wage and hour law and other social programs, contributed significantly to the trend. The problem, now financially measurable, has proven to be so burdensome that many who formerly hesitated to speak, out of fear of institutional sanctions, and others who support diversity in higher education, have begun openly to challenge the trend. Public awareness and avowed interest have aroused some of the politicians, jarred some bureaucrats, and elicited the support of high elected and appointed officials.

Government Intervention by Student Aid

This writer believes that government support of students afforded the first continuing opportunities for governmental intervention in our institutions. Observations over a period of twenty-five years as an educational administrator in public, private and church-related higher education institutions affirm this posture. The case can be well stated and documented, and constitutes the burden of a portion of this paper.

Until the late 1950s and Sputnik, there was little national concern over higher education institutions and their functions. Higher education was generally the province of middle- and upper-class Americans and the well-to-do. True, a representative group of youngsters from poverty level and otherwise economically deprived backgrounds made it into the higher education system largely through a scattering of junior colleges and state teachers' colleges. A few were afforded higher education opportunities by locally supported four-year church colleges where, typically, low faculty salaries constituted the first form of student financial aid. There was limited availability of higher education opportunities for the mass of American young people.

The launching of Sputnik—and the sudden realization that the nation's defense was in jeopardy should the Communist world conquer outer space—shocked the United States as nothing before in its history. The sinking of the

[1] William W. Jellema, *From Red to Black?* (San Francisco: Jossey-Bass, Inc., Publishers, 1973).

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Lusitania, which catapulted America into World War I, was a distant happening far across the sea. Almost the same may be said of Pearl Harbor, 3,000 miles from the shores of mainland America. Many recall that, as a nation, we did not react to Pearl Harbor with fear of destruction of our national life, but with anger that such a crime would be perpetrated upon us. Sputnik was different. The nation's reaction was one of fear, and from that fear grew a determination to catch up.

In recent years, there is documented evidence that some institutions have become careless in their administration of federally-sponsored student aid programs, especially in collections, and all institutions are beginning to suffer for the sins of a few.

It was the consensus of national political leaders that the only way America could catch up with Russia in the Sputnik era was through the mass production of college-educated citizens. Science and education became pre-eminent. Thus, the first national effort to subsidize college students without reference to any forms of repayment for services rendered (that is, the G.I. Bill of World War II) evolved and reflected the national concern in its title: the National *Defense* Education Act, the emphasis of which was the National *Defense* Student Loan Program (NDSL).

While the regulations for NDSL were extensive in their published form, they were written in such fashion that institutions had broad administrative discretion. Accountability was required, and for many years it was astutely practiced by the great majority of colleges and universities. In recent years, there is documented evidence that some institutions have become careless in their administration of federally-sponsored student aid programs, especially in collections, and all institutions are beginning to suffer for the sins of a few. However simple those initial regulations were, they provided the first entreé of the federal bureaucracy into the internal management and decision making of both public and private higher education institutions.

States Also Face Problems

We now face an emergence of similar problems in many states which have developed state financial aid programs for college and university students. Most of us have observed the recent rapid growth of public higher education. This movement started simply with a limited number of public universities and specialty institutions, regionally located teachers' colleges and a few scattered junior colleges. The pressures on enrollments increased in the sixties, and teachers' colleges were converted into comprehensive four-year colleges, junior colleges into four-year single purpose institutions, some of the comprehensive four-year colleges established graduate and professional programs, and the community college concept developed as a replacement for the upgraded junior colleges.

As the public sector was changing, the private colleges and universities, which until as late as 1950 enrolled more than half of the students in American higher education, were beginning to suffer from enrollment decline through a combination of competing low-cost public institutions and the need for constantly higher tuition rates in the private institutions. Many states fortunately recognized the economic value of the private institutions and the need for diversity in higher education guaranteed by the presence of private institutions. State student financial aid programs were established primarily to relieve the pressures on the growing enrollment in public institutions, and secondarily to assist an endangered valuable educational resource. The latter recognition gave rise to financial support to the private colleges by the indirect route of student assistance, and in some states by means of direct appropriations to the private institutions.

Now many state governments, supported strongly by the prestigious Carnegie Commission reports, suggest that public institutions increase tuition levels to a point where they bear some direct equalization with the tuition charged in private higher education institutions. While this is welcomed by private institutions because of its stabilizing effect on their enrollments, public institutions may cry foul as here will surely be a recognizable outflow of students from the public sector to the private. Neither of those concerns is as important as is the concern that such an equalization ultimately will involve increased state control of both public and private higher education institutions, and thus contribute to the further homogeneity of the two sectors of higher education.

The regulations surrounding the administration of the whole gamut of student financial aid programs in higher education not only have resulted in administrative interference which destroys diversity, but also have critically impacted other areas of the postsecondary academic experience.

The regulations surrounding the administration of the whole gamut of student financial aid programs in higher education not only have resulted in administrative interference which destroys diversity, but also have critically impacted other areas of the postsecondary academic experience. As was pointed out earlier, accessibility to higher education opportunities is one of the great advantages of government aid to students, but it can become a real disadvantage when government changes its goals.

Frequently we are inclined to think of financial aid programs only in terms of the funds available to undergraduate students, perhaps because undergraduates constitute such a large proportion of total enrollment. Government, however, strongly influences the accessibility of professional education, especially in the allied health fields, through its programs of financial assistance to students, unrestricted capitation grants to institutions, and direct

support of basic research. The trauma of American medical schools in the late sixties was a direct result of the sudden and dramatic reduction of almost unlimited government-sponsored research during the preceding fifteen years. Colleges and universities had overextended themselves in research and support facilities, had employed many basic research scientists and tenured an overabundance of them, and had established unbalanced reliance on the sponsored research dollar and its overhead contribution to general operating revenue. It required only one national administration's sudden change of interest to other goals to traumatize institutions of higher education by dramatic reduction of research support. Major universities slipped quickly from black to red, and many private ones entered the public domain. Others merged or ceased to operate.

Impoundments Add to Trauma

A succeeding administration created a more pronounced trauma by adding to the change of policy a system of impoundments which were resolved only through court and legislative action long after the damage was done and some institutions had foundered. A new federal law concept of budget rescissions and Congressional approval has emerged, with the result that the executive's wings have been substantially clipped. We are terrorized annually by the lethargy of the Congress to give adequate notice of funding levels for financial aid. In May of 1969, we were traumatized by the veto of the financial aid appropriations legislation, and it was midsummer before financial aid packages could be completed. Unfortunately, the response of some institutions resulted in a dramatic decrease in freshman class enrollment, which followed through the succeeding three years with disastrous results. Higher education must speak vigorously against efforts to reduce its appropriate contribution to the forward advance of our national destiny. If there remain those who would challenge the premise of this paper that the use of student financial aid funds creates opportunity for bureaucratic inroads into the internal management of colleges and universities, we can look to some examples which are current, alive and kicking.

Because of some very unfortunate and difficult situations surrounding the administration of the Guaranteed Student Loan Program, the traditional higher education institutions are now suffering from new regulations which were not thoughtfully drawn. It was a mistake when the term "postsecondary education" was broadened from its popular and historical definition to encompass every form of education and vocational training beyond the high school. Until that definition was so broadened, it was generally concluded that there were approximately 3,000 postsecondary education institutions in the country. As higher education institutions, they were evaluated, recognized, accredited and certified by appropriate regional and professional accrediting associations, each of which in turn was recognized by the National Commission on Accreditation. All accrediting procedures were voluntary and were accomplished through peer review.

Accreditation Powers Sought

It is a recognized obligation of the professional educators to be involved directly in the accreditation process at minimum cost to the institution. In the southern region, for example, a typical evaluation visit to a campus for either accreditation or reaffirmation is typically two and one-half days in length. Weeks prior to the visit, the members of the committee are furnished with voluminous materials about the institution to be visited. Upon the committee member's return to his or her home campus and following the submission of a written report, the member is paid the magnificent sum of $50. Can one imagine the cost once accreditation is fully bureaucratized?

Our present system has worked well; so well in fact that accreditation by regional accrediting associations has received the broad support of the American people, and has resulted in the almost total nonexistence of unaccredited higher education institutions because of their rejection by the public. Unfortunately, government bureaucrats are dissatisfied with a system which has worked well but which appropriately has excluded them from direct participation in the accrediting process. They have sought more power to control certification than that already bestowed on the United States commissioner of education, who, under federal law, has the authority to recognize unaccredited institutions for certain federal programs and funding. Three or four years ago, the bureaucracy set forth to create centralized federal accreditation. Government control over the purse strings of student financial aid has enabled the bureaucracy to accomplish much of its goal, despite the valiant resistance of some higher education administrators, whose battle has resulted in the retention of some semblance of our former autonomy in the accreditation process.

As recently as November 1975, *The Chronicle of Higher Education* reported, in an article about scandal and mismanagement of Guaranteed Student Loan programs,[2]

[2] Karen J. Winkler, "Student-Aid Program Under Scrutiny" (Washington, D.C.: *The Chronicle of Higher Education*, November 24, 1975).

William T. Haywood, *who is vice president for business and finance at Mercer University, served as president of NACUBO for 1972-73. He was the first chairman of NACUBO's Small Colleges Committee, and will serve on the Publications Committee for 1976-78. He holds a bachelor's degree in business administration from the University of Mississippi, and did graduate work at Tulane University.*

that HEW would propose necessary steps to develop stricter regulations setting out the conditions under which institutions can be limited, suspended or terminated from participation in the Guaranteed Student Loan Program. An unidentified source in HEW was quoted as saying: "We will probably propose more rules later to expand and cover all student aid programs." The accrediting problem is indicated in the same article by the response of HEW officials when asked why they allowed institutions to participate while their accreditation status is under review. The response of an HEW spokesman was: "to insure due process. A school may have been treated unfairly by the accrediting body, and we don't want to cut it out until we have reviewed the situation." That statement may be seen as an unwarranted attack on the professionalism of responsible educators.

The Council on Postsecondary Accreditation, the organization resulting from government pressure in this area, embraces perhaps 30,000 postsecondary institutions of all types, forms and shapes, and there are those who believe that it may ultimately be nearer 100,000 institutions. Many question the ability of such a monstrous organization to serve adequately so diverse a clientele, and more than a few educators fear it may fall into the control of unfriendly hands.

Cites Problems Facing Institutions

This has been a necessarily circuitous route to bring us to the present point, which cites the problems confronting institutions of higher education now included in the expanded definition of postsecondary institutions. Many of the problems with advertising, bankruptcy, closing of programs, failure to perform in placement, and unfair refund practices may be laid directly upon the doorsteps of non-higher education postsecondary institutions operated for a profit, and of traditional institutions which derive a disproportionate amount of their operating income from federally funded student aid monies.

There is no violation of consumer rights in traditional higher education institutions, where the charge to the consumer covers only a very small portion of the full cost of delivering the educational product. Yet traditional colleges and universities were incorporated into operative federal regulations by an unknowing and ill-informed bureaucracy. The results burden all of postsecondary education with uniform rules of procedure. Traditional old-line universities, predominantly liberal arts and nonvocational in orientation, have for decades produced primarily pre-professional graduates and school teachers, never requiring a placement service other than a limited one for education graduates. Under the existing rules and regulations as now interpreted, such institutions must establish the same kind of placement service as the local secretarial training school and the schools of cosmetology and auto mechanics. The same regulation would result in uniform refund policies. The ultimate penalty for noncompliance is the loss of Guaranteed Student Loan funds in the college or university, a real threat in many institutions where a substantial proportion of students participate in the program. HEW, under pressure from Congress (and one suspects from an understanding new secretary) has announced a reconsideration of its earlier pronouncements.

Students are the customers of higher education, and if their financial base is dramatically changed, there is an immediate and direct corollary effect on enrollment in the colleges and universities.

Government intervention takes many forms. Perhaps the most distasteful are those which take the form of bureaucratic intervention. Bureaucrats are not the elected representatives of the people, and those below the appointive level are protected in their employment by Civil Service rules. Experience indicates that the desk-bound career bureaucrat is largely unresponsive, although there are notable exceptions. The danger in the present context is the faceless, frustrated subprofessional who has a yen to wield power over those whom he never encounters. Perhaps some bureaucrats enjoy power vicariously by bestowing it upon top elected and appointive leaders who never sought such power at the outset. We are now witnessing a real battle between the HEW establishment and the agency's appointed administrators. It appears that the latter insist on less power and control, while the former insists on more. This is evidenced by a recently issued HEW second draft of proposed regulations revising the requirements of institutions for eligibility of federal funds. HEW officials have held public meetings on the proposals after college representatives complained directly to the secretary. This indicates the responsiveness of that office which has been so noticeably absent since '966.

In a recent speech warning of the tendency of government to prescribe everything from Washington[3], President Kingman Brewster of Yale said higher education needs support from the federal government, but stressed that it must come without strings. He listed "four self-denying ordinances or mandates to govern federal support of higher education":

1. "Wherever possible it is better to let the market allocate the subsidy. Subsidize the students and allow them to take the bounty to the place which best suits their interest and their talent."

2. "Wherever direct grants are required for facilities or for the operation of expensive scientific equipment, let their allocation be done by a panel drawn from the academic or scientific peerage, so that the academic merits rather than political log-rolling will determine who gets what."

[3] Malcolm G. Scully, "Brewster on Government Strings" (Washington, D.C.: *The Chronicle of Higher Education*, January 26, 1976).

3. "Do not attach strings or conditions or requirements to federal grants for the purpose of regulating local behavior which could not, under the Constitution, be regulated directly by an exercise of the federal administrative or criminal law."

4. "Remember that the role of government in higher education is that of investor, not a purchaser of manpower."

Another force now encountered on a regular basis is that of the courts. The judiciary involvement does not present the same kind of difficulty, but this does not recuse concurrence with a recent article in *U.S. News and World Report*[4] questioning whether the judiciary has indeed overstepped its bounds of authority. Court decisions, like bureaucratic regulations, deserve the critical eye about which we have been warned by Mr. Justice Brandeis: "Experience should teach us to be most on our guard to protect liberty when the government's purposes are beneficent. The greatest dangers to liberty lurk in insidious encroachment by men of zeal, well-meaning but without understanding."

Courts Influence Higher Education

In the past decade, decisions of the courts have influenced several areas of higher education administration. One of the most serious has been the effect on admissions decisions. Colleges and universities are now required by court interpretation of the law to base admissions decisions on racial, ethnic, sex, age and economic conditions of all applicants. If a logical balance cannot be found among applicants, concerted efforts are made to seek out new applications to obtain balance.

Court decisions also affect institutional programs and development. Many institutions have foundered because the institutional size was not viable enough to comply with court dicta on program developments. Court decisions have had a deleterious effect on the professional morale of both teachers and administrators. Increasing numbers of professional educators are leaving the field because they no longer derive the same sense of personal satisfaction as before, despite more economically attractive prospects. The nation thus loses a valuable asset which can not readily be replaced.

Court interpretations and court orders are producing the same detracting effect on public interest in higher education and on that of the benefactors of both public and private higher education, as they have had on the public school systems over the last two decades. Like our nation's experience with secondary schools, as the colleges and universities appear more and more to be operated by the courts, the public loses interest.

[4] Patrick R. Oster and Donald P. Doane, "The Power of Our Judges: Are They Going Too Far?" (Washington, D.C.: *U.S. News & World Report*, January 19, 1976).

A problem constantly confronting higher education institutions is the effect of policy changes of governments in their support of students. The area of student support presents more immediate and lasting dangers than shifts in policy on the support of institutions, sponsored programs, libraries, developing programs, and a plethora of other government-supported programs. Students are the customers of higher education, and if their financial base is dramatically changed, there is an immediate and direct corollary effect on enrollment in the colleges and universities. We must be concerned that state and federal agencies by changes in policy exercise too much influence on such enrollments.

. . . merely because the national government is the national banker for education, it does not follow that the government should make every educational institution an instrument of the Washington political bureaucracy.

Some believe that we may witness in the near term, as we recover from our recent economic displacements, a shifting of higher education funding support. Tuition will increase at a more rapid rate, thus shifting the burden of student support from the institutions to students and their parents, both in the public and private sectors. The taxpayer has already revolted and is unwilling readily to increase his outlay in the support of public higher education. The recent marked increases in tuition in public institutions are an indication of the shifting of the burden from the taxpayers to the students and their parents. With an increasing college population and the return to the classroom of taxpaying adults and senior citizens, a diminution of tax support shifts the burden of rising tuition costs to a larger vocal and voting group of taxpayers. We may ultimately witness a revolt on their part, which may reverse the system and result in total support from public resources and free higher education to all who desire it. The role then of private colleges and universities is clouded, and many will die, thus further diminishing the influence of a significant element of diversity in higher education.

As it is bootless to attempt to gauge accurately true costs in the production of a credit hour, intangibles are present in assessing the true costs of student financial aid. It is not necessary that we attach dollar values to the intangibles, only that we recognize their existence. To borrow further from President Brewster's University of Oregon Centennial Exercise address (as reported in *The Chronicle of Higher Education*), and to paraphrase him: It is time to reaffirm that merely because the national government is the national banker for education, it does not follow that the government should make every educational institution an instrument of the Washington political bureaucracy.

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